GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

FRIDAY, OCTOBER 30, 2026
LEAD EDITOR: SANJAY HAZARIKA

- **Bank of Japan signals that hike is likely in December** (link)
- **Market participants monitor rising credit spreads for signs of potential market stress** (link)
- **US Treasury Quarterly Refunding Announcement due on November 4** (link)
- **Heavy tech bond issuance tests markets** (link)
- **Egypt surprises with a 100 bps rate hike to defend currency** (link)
- **EM hard currency bonds outperform Treasuries** (link)

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Investors Hunt for Cover as Risk Sentiment Turns Negative

Most global markets sold off as oil prices went up again on worries about an escalation in the conflict in the Middle East and concerns about the AI buildout continued to accumulate. Asia was down, with the notable exception of Hong Kong SAR, and stocks in Europe were in the red. S&P 500 and Nasdaq index futures were markedly lower, although Dow futures were up. Earnings reports from key US and Asian technology companies were weaker than expected, extending a trend of disappointing Q3 tech results and accentuating worries that the AI boom could be running out of steam. Crypto prices declined after Binance, a major crypto exchange announced a closure following a hack, as per press reports. Government bond markets saw significant inflows, pushing yields lower, while safe haven currencies such as the Swiss franc and Japanese yen appreciated as investors sought cover from the global selloff.

Key Global Financial Indicators

Last updated: 10/30/26 7:59 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		7720	-0.3	1	1	13	13
Eurostoxx 50		6144	-1.0	1	-2	8	6
Nikkei 225		63290	-2.1	1	-7	21	26
MSCI EM		63	-1.3	2	-6	13	15
Yields and Spreads					bps		
US 10y Yield		4.90	-3.5	-9	-38	81	74
Germany 10y Yield		3.32	-3.4	-2	-27	68	47
EMBIG Sovereign Spread		203	2	-1	17	0	5
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		45.2	0.1	-1	-1	-2	-3
Dollar index, (+) = $ appreciation		101.7	-0.4	0	0	2	3
Brent Crude Oil ($/barrel)		118.0	2.7	1	14	82	94
VIX Index (%, change in pp)		18.6	1.4	-1	2	2	4

Colors denote tightening/easing financial conditions for observations greater than ±1.5 standard deviations. Data source: Bloomberg.

Key Global Inflation and Energy Indicators

Last updated: 10/30/26 8:00 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Oil and Gas					%		%
Brent Crude Oil ($/barrel)		118	2.7	1	14	82	94
WTI Crude Oil ($/barrel)		104	2.4	1	16	72	82
Natural Gas (Netherlands TTF)		104	5	11	44	236	279
Breakeven Inflation		%			bps		
USD: 2Y		2.6	-0.6	-4	8	-5	31
USD: 5Y		2.5	-1.4	-1	2	0	18
USD: 5Y5Y		2.4	0	-1	-9	-7	-7
EUR: 2Y		3.0	4.2	-1	12	128	137
EUR: 5Y		2.5	2	2	4	65	68
EUR: 5Y5Y		2.1	1	2	-1	6	5

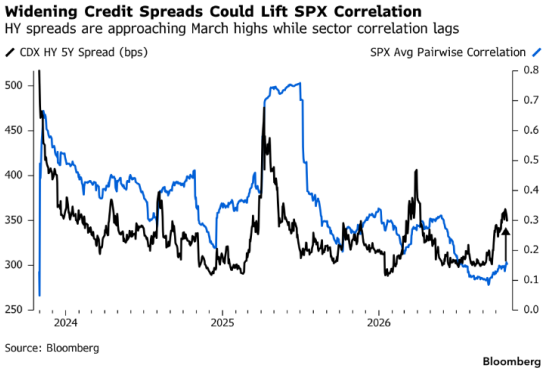
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Mature Markets

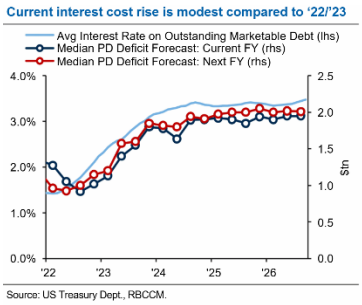
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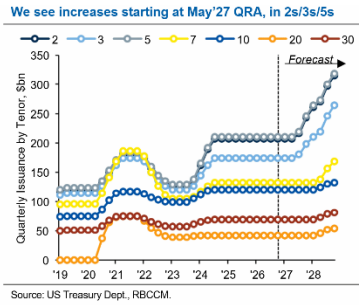
United States

Investors are monitoring widening credit spreads as a sign of potential market stress. The spread of the CDX high yield (HY) credit default swap (CDS) index has blown out significantly during previous stress episodes such as the 2022–23 bear market, the 2025 tariff announcement, and the beginning of the Gulf war in February-March 2026. The index spread have started to widen again in recent days, partly driven by fears that higher interest costs could create problems for HY companies, and partly driven by worries about the AI sector. Correlation between individual stocks within the S&P 500 remains very low at the moment, but both CDS spreads and intra-index correlation tend to rise sharply during stress episodes, when the price of the HY bonds underlying the index and equity prices fall significantly together. High interest rates and deteriorating corporate credit have led some analysts to question the extremely optimistic forecasts for corporate profits in Q4 2026 and 2027. However, the Q3 2026 results have been quite healthy, keeping the major US equity indexes close to their record highs.

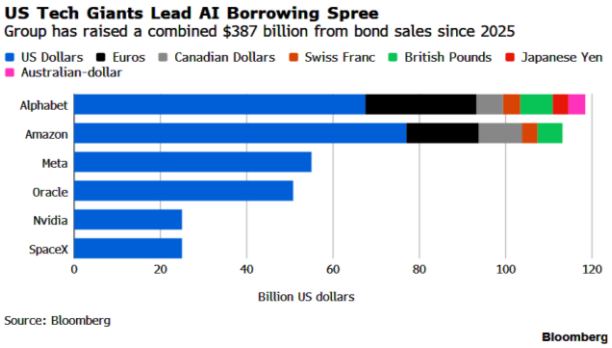


The next US Treasury Quarterly Refunding Announcement (QRA) is due on November 4. Most analysts do not expect the Treasury to increase the size of its coupon note and bond issuance, with T-Bills accounting for all of the increase, if any. Royal Bank of Canada (RBC) expects the next May QRA to feature an increase in the issuance of 2-year, 3-year, and 5-year Treasuries, but not in longer maturities. The Treasury is trying to lower its interest costs by borrowing at the shorter end of the upward-sloping yield curve, where yields are lower. With the benchmark 10-year up almost 110 bps since February 27, the day before the Gulf War began, funding at the longer end is getting significantly more expensive. T-Bill yields have risen by much less and are up 30–40 bps up to the six month maturity since the August QRA. The RBC analysts estimate that if these





levels hold, interest costs will be just $30 bn higher in the next two fiscal years (FY 2027 and FY 2028). This is a much more moderate increase compared to the much larger the amounts seen in 2022–23 when the Fed hiked by 525 bps.

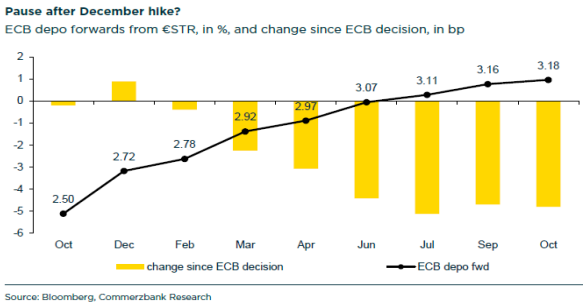


Heavy bond issuance by big technology companies is testing corporate bond markets. Just six US companies have issued $387 bn bonds since 2025, putting upward pressure on both credit spreads and interest rates more generally, especially at the long end of the yield curve. The overall rise in interest rates in advanced economies including the US is raising costs for all borrowers, including governments, corporations, and consumers. Yesterday Microsoft joined the party, launching its first bonds in multiple tranches and maturities since 2017 (the initial deal size is $25 bn). It is the only US corporation apart from Johnson and Jonhson to have a top AAA/Aaa from both S&P and Moody's, but the price talk for its 40-year bonds is 135 bps over Treasuries, the same level as lower rated Alphabet (AA+/Aa2) and Amazon (AA/Aa1), showing that even the highest rated company has to pay up to attract investors. However, Microsoft's deal received $115 bn in bids, a good show of support from investors.

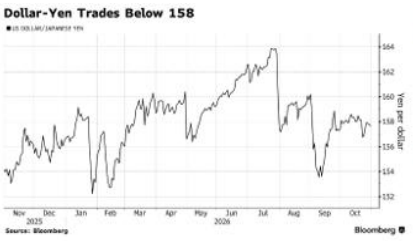
Euro area

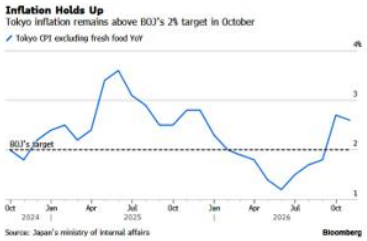
European markets face weaker global risk sentiment and renewed energy-price pressures this morning. Disappointing US tech earnings weighed on sentiment, while Brent crude rose 2.6% to $116.7/bl amid concerns about US–Iran escalation. European natural gas prices surged by 4.6% to €103/MWh. The STOXX Europe 600 fell 0.3% this morning after gaining 0.8% on upbeat earnings yesterday. Euro area sovereign yields showed limited moves this morning, while French and Italian spreads over German bonds widened across maturities. Euro area GDP grew 0.4% q/q in Q3, more than the expected 0.2%. Ireland accounted for around half the expansion, according to Bloomberg Economics, while Germany grew 0.2% and Italy stagnated. France contracted by 0.1% q/q versus expectations for a 0.1% expansion. October flash annual inflation (y/y harmonized) exceeded expectations in France and Italy at 3.8% and 5.6%, respectively, while easing to 4.9% in Spain.

The ECB held rates steady yesterday, while ECB President Lagarde announced her early departure. The deposit rate was kept at 2.50%, as expected. Lagarde said a hike had been discussed, while highlighting tighter financing conditions and limited evidence of second-round inflation effects from higher energy prices. Markets priced an 84% probability of a 25 bps December hike but reduced expectations for subsequent tightening. Asked about France, she reiterated that the ECB could address disorderly market conditions threatening monetary-policy transmission, while stressing governments' responsibility for sound public finances. Quantitative tightening will continue unchanged. The 10-year OAT–Bund spread ended little changed at 156 bps. Lagarde will leave on February 7, 2027, around nine months before her term ends; she did not confirm her next role.



Japan





The Bank of Japan (BOJ) kept its policy rate at 1.25% but indicated that it may hike in December despite judging that inflation has fallen to its 2% target due to the risk of an inflation overshoot. Governor Ueda stated in the press conference that every policy meeting will be a live one when it comes to fighting inflation. The yen strengthened modestly to close Asian hours (+0.2%) at 157.39/$. JGBs rallied alongside global bonds on safe haven demand (10-yr -6bp to 2.77%; 30-yr -6bp to 3.84%), while equities weakened (the Nikkei was down -2.1%) alongside the global technology selloff. The Bank of Japan's surprise decision to accelerate ETF disposals to JPY860 bn annually added pressure to local equity markets. Before the rate decision, October Tokyo core inflation (excluding fresh food) eased only slightly to 2.6% y/y (Sep: 2.7%; consensus 2.6%), underscoring persistent price pressures.

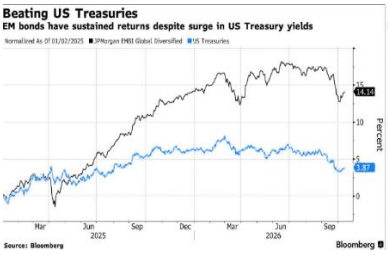
Emerging Markets

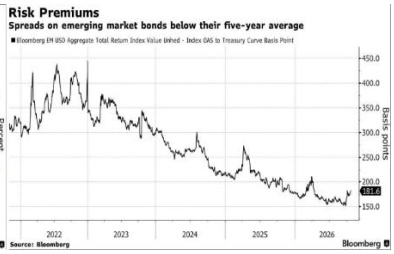
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EMEA risk assets fell this morning as global risk sentiment deteriorated. The sell-off in AI stocks and a further rise in energy prices weighed on markets. Ukraine hiked by 50 bps, more than the 25 bps expected, citing inflation pressures. Botswana stayed on hold at 5.5% and Moody's is scheduled to announce its decision on Iraq's Caa1 rating today. **Asian currencies strengthened (EM Asia: +0.2%) versus the US dollar, with the Korean won (+0.3%) leading regional peers for a second straight day.** Asian equities declined (EM Asia: -1.9%), as technology shares continued to be sold off. **Latin American equities were mixed**, with Mexico (+0.9%) gaining while Brazil (-1.1%), Chile (-1.2%), and Colombia (-0.6%) declined. Regional currencies weakened, led by the Mexican peso (-1.2%) and Brazilian (-0.5%), while the Colombian and Chilean pesos softened slightly.

Emerging Market Bonds

The EMBI Global Diversified index of EM hard currency bonds has returned 14.1% since the start of 2025, more than 3.5 times the 3.9% return on US Treasuries, even as Treasury yields rose. The gap is about 10 ppt, though the index remains about 4 ppt below its June peak of roughly 18% (left chart). Since end-2025, the 10-year Treasury yield has risen 83 bps to 5.0%, while EM dollar bond spreads, at 182 bps, are little changed (right chart). Spreads remain below their five-year average of about 270 bps, although they are up from a trough near 150 bps in September.





Brazil

The impact of the surprise in Brazil's election result on local markets on Monday was a major shock, but it was one that mostly remained within historical averages since 2001. Monday's 13.6% fall in the Bovespa equals about 78% of the 17.5% average decline during previous shocks, and the Brazilian real's 8.6% depreciation is about half the average 16% although the 258 bps jump in the 10-year swap rate exceeded the 230 bps average. History shows that equities recover fast, regaining pre-shock levels in 123

days on average versus 256 for rates and 263 for the Brazilian real. Monday's circuit breaker was the first since 2020, and past events brought mixed one-month returns but gains after 12 months. Past Latam election surprises took 25 days (Chile) to 967 days (Argentina) to recover for equities.

Table 1: Asset behavior during shock events and time it takes to recover to pre-shock event level

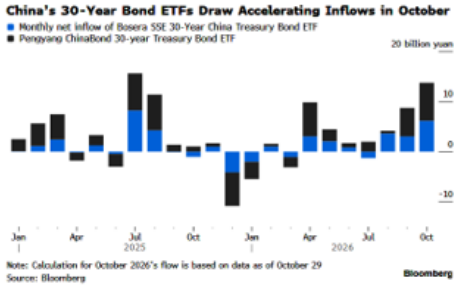
Asset	Average Move	26-Oct-2026 Move	Average Recovery	Median Recovery
IBOV	-17.5%	-13.6%	123 days	106 days
BRL	16.0%	8.6%	263 days	84 days
MSCI Brazil	-25.2%	-18.3%	195 days	136 days
Rates	230 bps	258 bps	256 days	62 days

Source: J.P. Morgan.Bloomberg Finance L.P. Note: a positive sign for the BRL is a depreciation. Average days for BRL is understated considering that the currency never returned to its previous level on two occasions.

China

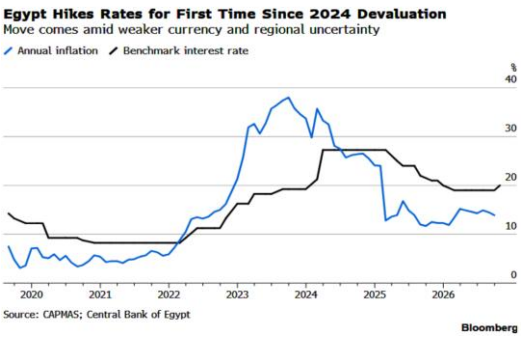
Concerns over debt repayment at state backed conglomerate Zuhai Huafa disrupted the rally in government debt. Longer-dated sovereign bonds have been benefitting from moderate growth, ample liquidity, and weak equity sentiment, with October net inflows into two 30-year government-bond ETFs reaching CNY13.8 billion ($2.1bn). However, the rally reversed Friday as refinancing concerns around Huafa prompted profit-taking. Fitch put Huafa on negative watch, citing weaker debt-service coverage, intensifying stress in offshore credit, while Chinese high-yield dollar bonds are heading for their worst week since April 2025. The episode partially offset the global rotation from technology stocks into sovereign bonds as concerns over AI valuations grew more acute. Meanwhile, both onshore CNY and offshore CNH remained resilient and on track for its strongest monthly gain since May, supported by Strong PBOC fixings.

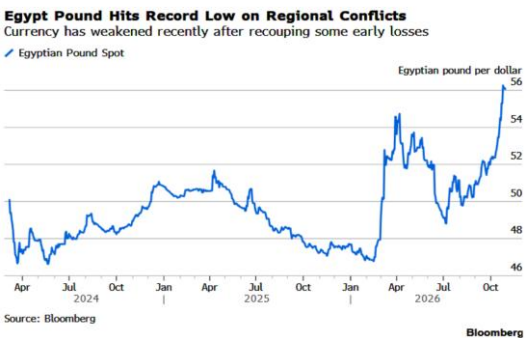




Egypt

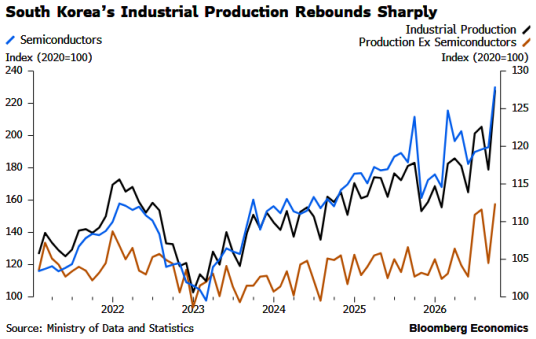
Egypt unexpectedly raised rates by 100 bps amidst currency weakness and portfolio outflows. The deposit rate rose to 20%, the first increase since March 2024, against unanimous expectations for a hold in Bloomberg's survey. The pound has depreciated 8% against the dollar this month, weakening past 56 per dollar to a record low, with portfolio outflows estimated by EFG Hermes at $7 billion over three weeks. The central bank cited growing inflation risks from the regional conflict, higher energy prices, and tighter global financial conditions, despite inflation slowing in September. Goldman Sachs expects rates to remain at 20% for a while, but further increases are possible if external conditions deteriorate.





Korea

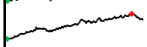
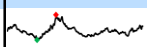
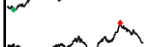
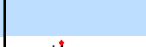
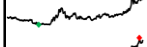
Korean government bonds rallied as markets digested the government's late-Thursday decision to cut November debt issuance from KRW17 tn to KRW12 tn. Analysts noted that issuance was cut in October as a market-stabilization measure when yields were high, but this month's reduction is similarly sized even though yields have fallen notably. Today, the 3-year yield fell by 5 bps to 3.72% and the 10-year fell by 7bp to 4.01%, with softer US technology sentiment adding safe-haven demand. Equities moved sharply in the opposite direction (KOSPI: -3.5%) as renewed technology concerns weighed on chipmakers; SK Hynix sank 7.1% and broader electrical and electronics shares led losses. The selloff came despite stronger domestic activity data: industrial production was +1.2% y/y in September (Aug: -1.7%; consensus: 0.6%). The strong manufacturing recovery, alongside continued chip-related investment, reinforced expectations that resilient growth could give the Bank of Korea room to tighten again in November. The won strengthened (+0.4%) to 1,335/$ despite the equity rout.



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Global Financial Indicators

Last updated: 10/30/26 8:01 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		7,720	-0.3	0.7	0.9	13.2	13
Europe		6,144	-1.0	1.3	-2.0	7.8	6
Japan		63,290	-2.1	1.0	-7.3	20.8	26
China		3,986	-1.4	-2.9	-8.5	-14.1	-14
Asia Ex Japan		109	-1.2	3.0	-6.4	14.8	17
Emerging Markets		63	-1.3	1.6	-6.1	13.2	15
Interest Rates					basis points		
US 10y Yield		4.9	-3	-9	-38	81	74
Germany 10y Yield		3.3	-3	-2	-27	68	47
Japan 10y Yield		2.8	-6	-2	-28	113	72
UK 10y Yield		5.3	-2	-9	-15	85	79
Credit Spreads					basis points		
US Investment Grade		124	4	0	5	9	11
US High Yield		359	16	-9	16	23	19
Exchange Rates					%		
USD/Majors		101.7	-0.4	-0.2	0.2	2.1	3
EUR/USD		1.12	0.1	-0.1	-1.2	-3.2	-5
USD/JPY		157.0	-0.5	0.1	-0.3	1.9	0
EM/USD		45.2	0.1	-1.0	-1.0	-1.6	-3
Commodities					%		
Brent Crude Oil ($/barrel)		118.0	2.7	1.1	20.4	85.1	96
Industrials Metals (index)		174.0	-0.8	0.5	-1.5	13.3	7
Agriculture (index)		57.8	-0.3	-3.2	-5.6	4.0	8
Gold ($/ounce)		3965.6	-1.4	-0.8	-4.6	-1.5	-8
Bitcoin ($/coin)		77306.5	-1.9	-3.8	-7.6	-28.1	-12
Implied Volatility					%		
VIX Index (%, change in pp)		18.6	1.4	-0.9	2.2	1.7	3.6
Global FX Volatility		6.6	0.0	-0.4	-0.5	-0.3	-0.3
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		98	4	-7	8	35	39
Italy		119	4	-4	16	43	49
France		164	8	-4	36	86	93
Spain		62	1	-7	8	11	19

Colors denote tightening/easing financial conditions for observations greater than ±1.5 standard deviations. Data source: Bloomberg.

Emerging Market Financial Indicators

10/30/2026 8:02 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)					Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
		vs. USD	(+) = EM appreciation						% p.a.					
China		6.65	0.1	0.2	0.8	6.9	5.0		1.7	-1	-2	-4	-17	-25
Korea*		1334	0.6	-0.8	1.8	7.3	8.3		4.2	-3	-5	-38	126	86
Indonesia		18147	-0.1	-0.4	-1.4	-8.3	-8.1		7.6	-1	26	42	165	155
India		95	0.3	0.0	0.9	-6.6	-5.3		8.4	3	6	3	152	129
Philippines		64	0.2	-0.2	-1.7	-7.6	-7.5		6.3	-2	5	23	164	164
Thailand		34	0.1	0.2	-0.4	-4.0	-6.6		2.2	-4	-10	-22	45	49
Malaysia		4.06	0.0	0.7	0.6	3.4	0.1		3.9	-1	4	-10	42	41
Argentina		1539	0.2	-0.7	-1.1	-6.6	-5.7		0.0	0	0	0	-3374	-3237
Brazil		5.39	-0.1	-7.6	-4.0	-0.1	2.0		15.1	5	222	112	137	155
Chile		994	-0.3	0.1	-2.0	-5.2	-9.4		5.9	-3	-2	-14	57	62
Colombia		3170	-0.2	0.2	5.3	22.2	19.1		13.0	3	0	8	143	16
Mexico		18.88	-0.1	-1.2	-4.3	-1.9	-4.6		9.2	-4	5	-31	47	22
Peru		3.5	-0.2	-0.5	-0.6	-2.0	-2.9		6.8	1	4	9	71	97
Uruguay		40	-0.1	-0.2	0.2	-0.7	-2.6		7.9	2	5	6	2	33
Hungary		327	0.0	0.1	-1.1	2.8	0.1		5.5	-7	-15	-35	-98	-103
Poland		3.93	-0.1	0.0	-2.0	-6.6	-8.7		5.8	-4	-3	-10	101	124
Romania		4.8	0.1	0.1	-2.4	-7.8	-9.1		6.9	-1	-4	-59	-6	18
Russia		80.5	0.9	0.3	3.5	-1.0	-2.2							
South Africa		16.7	-0.3	-0.4	-1.4	3.8	-0.6		8.8	-4	-8	-28	-44	23
Türkiye		49.95	-0.1	-0.5	-1.9	-16.0	-14.0		34.6	0	7	-36	241	495
US (DXY; 5y UST)		102	-0.4	-0.1	0.2	2.1	3.4		4.71	-4	-10	-38	99	98

	Equity Markets							Bond Spreads on USD Debt (EMBIG)					
	Level		Change (in %)					Level		Change (in basis points)			
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	7 Days	30 Days	12 M	YTD
								basis points					
China		3,986	-1.4	-2.9	-8.5	-14.1	-13.9		6	1	5	-2	-1
Korea*		5,731	-3.5	3.3	-18.2	39.5	36.0		24	-1	1	3	3
Indonesia		5,057	-0.8	-7.0	-16.2	-38.1	-41.5		120	-6	25	44	45
India		74,460	0.4	1.8	3.5	-11.3	-12.6		104	1	17	26	28
Philippines		5,680	-0.4	-0.8	0.9	-2.5	-6.2		105	1	23	45	43
Thailand		1,519	-1.7	-2.8	-3.4	16.0	20.6						
Malaysia		1,616	0.3	0.3	-0.9	0.4	-3.8		68	0	12	9	11
Argentina		2,848,945	-0.4	0.0	1.1	2.0	-6.6		746	38	140	71	180
Brazil		169,186	-1.1	-17.1	-9.2	13.7	5.0		189	28	17	-5	-10
Chile		5,291	-1.2	-1.9	-3.9	7.9	-2.4		102	1	6	9	12
Colombia		2,490	-0.6	-2.0	-2.3	25.1	20.4		228	-2	2	-30	-50
Mexico		69,787	0.9	-0.1	8.7	11.0	8.5		223	1	11	12	4
Peru		3,338	-1.3	0.3	-5.4	40.0	29.2		120	1	7	0	-9
Hungary		145,335	-1.3	2.3	0.1	35.8	30.9		112	3	9	-6	-20
Poland		158,456	-1.9	0.7	0.7	40.6	35.2		108	-3	10	24	20
Romania		35,147	0.9	1.4	13.0	56.3	43.8		200	3	12	13	30
South Africa		108,651	-1.3	0.6	0.1	-0.9	-6.2		202	-12	-3	-22	-13
Türkiye		10,970	-1.7	-2.2	-8.2	1.2	-2.6		255	-6	10	16	36
EM total		63	-2.1	1.6	-6.1	13.2	14.6		203	-1	17	0	5

Colors denote tightening/easing financial conditions for observations greater than ±1.5 standard deviations. Data source: Bloomberg.

*Not an EM Under IMF Classification.

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